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A Study on Micro, Small and Medium Enterprises in India

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EMPLOYMENT ROLE

Tamil Nadu (14.5%) made the maximum contribution to employment. This was followed by Maharashtra (9.7%), Uttar Pradesh (9.5%) and West Bengal (8.5%) the total share being 27.7%. Gujarat (7.6%), Andhra Pradesh (7.5%), Karnataka (6.7%) and Punjab (5.6%) together accounted for another 27.4%. Per unit employment was high - 17, 16 and 14 respectively - in Nagaland, Sikkim and Dadra & Nagar Haveli. It was 12 in Maharashtra, Tripura and Delhi. Madhya Pradesh had the lowest figure of 2. In all other cases it was around the average of 6.

GENERATION OF EMPLOYMENT

Food products industry has ranked first in generating employment, providing employment to 0.48 million persons (13.1%). The next two industry groups were Non-metallic mineral products with employment of 0.45 million persons (12.2%) and Metal products with 0.37 million persons (10.2%). In Chemicals & chemical products, Machinery parts except Electrical parts, Wood products, Basic Metal Industries, Paper products & printing, Hosiery & garments, Repair services and Rubber & plastic products, the contribution ranged from 9% to 5%, the total contribution by these eight industry groups being 49%. In all other industries the contribution was less than 5%.

PER UNIT EMPLOYMENT

Per unit employment was the highest (20) in units engaged in beverages, tobacco & tobacco products mainly due to the high employment potential of this industry particularly in Maharashtra,

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Andhra Pradesh, Rajasthan, Assam and Tamil Nadu. Next Cotton textile products (17), Non-metallic mineral products (14.1), Basic metal industries (13.6) and Electrical machinery and parts (11.2.) The lowest figure of 2.4 was in Repair services line. Per unit employment was the highest (10) in metropolitan areas and lowest (5) in rural areas. However, in Chemicals & chemical products, Non-metallic mineral products and Basic metal industries per unit employment was higher in rural areas as compared to metropolitan areas/urban areas. In urban areas highest employment per unit was in Beverages, tobacco products (31 persons) followed by Cotton textile products (18), Basic metal industries (13) and Non-metallic mineral products (12).

EMPLOYMENT DISTRIBUTION IN RURAL -URBAN

Non-metallic products contributed 22.7% to employment generated in rural areas. Food Products accounted for 21.1%, Wood Products and Chemicals and chemical products shared between them 17.5%. As for urban areas, Food Products and Metal Products almost equally shared 22.8% of employment. Machinery parts except electrical, Non-metallic mineral products, and Chemicals & chemical products between them accounted for 26.2% of employment. In metropolitan areas the leading industries were Metal products, Machinery and parts except electrical and Paper products & printing (total share being 33.6%).

ISSUES THE MSME SECTOR

- Lack of availability of adequate and timely credit;
- High cost of credit;
- Collateral requirements;
- Limited access to equity capital;
- Problems in supply to government departments and agencies;
- Procurement of raw materials at a competitive cost;
- Problems of storage, designing, packaging and product display;
- Lack of access to global markets;
- Inadequate infrastructure facilities, including power, water, roads, etc;
- Low technology levels and lack of access to modern technology;

- Lack of skilled manpower for manufacturing, services, marketing, etc;
- Issues relating to taxation, both direct and indirect, and procedures thereof.

NEED TO TAKE ACTION

The government should ensure strict adherence to the stipulated targets by the commercial banks for the micro enterprises (viz. 20% year-on-year growth for micro and small enterprises lending with 60% apportionment for micro sector. Report of the Task Force on MSME. A separate fund may be created with SIDBI, using the shortfalls, if any, against the MSE credit targets set for the commercial banks. This fund named ‘Special Fund for Micro Enterprises’ should be utilized exclusively for lending to the micro enterprises. A Public Procurement Policy for MSMEs as envisaged in the Micro, Small and Medium Enterprises Development Act, 2006 may be introduced at the earliest. The policy may set a goal for government departments and PSUs to reach, over a stipulated period, a target of at least 20% of their annual volume of purchases from micro and small enterprises (MSEs), and mandate them to report their achievements in this regard in the annual reports.

RECOMMENDATIONS

- Strengthening of factoring services.
- FDI to be encouraged in SSIs for better technology transfer (within the permitted ceiling of equity participation by large scale units in the equity of SSI units).
- Allowing excise exemption on SSI manufactured goods for large units under brand name in urban areas as is presently allowed for rural areas.
- Setting up of targets for tiny and SSI units for credit from banks and FIs under priority sector lending.
- Need for reduction of cost of credit for SSI sector.

- Setting up of more specialized bank branches for SSI sector.*
- Measures for strengthening resource support to SIDBI and to make available cheaper resources for on-lending at low interest rates to SSI sector.*
- Venture capital for SSIs.
- Setting up of special venture capital type fund of Rs.500 crore to be named as Laghu Udyog Nirman Nidhi for equity support.*
- Standardization of procedure and simplification of forms by banks.
- Statutory backing to State Level Inter-Institutional Committees (SLIICs).
- Raising the present excise exemption limit for Rs.50 lakh to Rs.100 Lakh.*
- Extension of Credit Guarantee Fund Scheme with a corpus of Rs.2500 crore.*
- More effective monitoring of credit flow

CONCLUSION

Government of India encourages the development of by consider MSMEs in the economic development of the country. MSMEs promotes production activity, employment generation and export earnings. Government supports the MSMEs through various schemes and financial support through various banks and financial institutions. Various committees were formed for the development of SSIs and huge financial support is given in various five year plans. In spite of encouragement and support from the government many SSIs facing the problem of finance and many banks experiencing increase in NPA. Various debt recovery mechanisms must be strengthened and financial support should be given to MSMEs By following aggressive assessment methods is a major sub-sector of Indian economy in view of its size in terms of number of units, number of employment, value of output and value of exports, absolutely as well as relatively.

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